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The Role of Co-ops

As the nation's largest regional cooperative, Farmland Industries is showing the nation what cooperative market power can do for farmers. By combining the purchasing and marketing muscle of about a half million farmers in 15 midwest states, Farmland is now approaching the goal that has been the dream of all farm cooperatives -- "real bargaining power in the market place."

The cooperative concept is simple and direct: mobilize the economic assets of people for their own mutual interest. As the nation's largest single industry, the wonder is that farmers haven't used this vast potential power more aggressively and more effectively. Farmland is doing this. Farmland is reaching out to employ every facet of the farmers' economic clout and, at the same time, provide them with the vital services farmers need -- with energy from the wellhead to the refinery to the local co-op -- with farm inputs -- with processing plants -- with unparalleled marketing services from the farm to big domestic and foreign terminals.

In the long run, what Farmland is trying to do is far more effective than all the farm programs, all the government directives and farm strikes can ever achieve. While I have deep sympathy for the farmers who want to strike -- and they have every legal right to do so -- the use of the cooperative principle is much more effective and its results are far more enduring.

Remarks by Secretary of Agriculture Bob Bergland before the annual meeting of Farmland Industries, Inc., Kansas City, Mo., December 1, 1977.

Until a better system is devised, the cooperative vehicle is the farmer's best bet to compete within the system. But to compete successfully, you have to be big enough and powerful enough to meet the giant agri-business conglomerates on their own ground -- have the facilities and the know-how to compete with the five or six big grain exporting firms -- have the basic resources of oil and gas fields, refineries and local distributing services to compete -- in the all-important energy crisis. Then, and only then, can farmers attain some semblance of effective bargaining power. And that power is there for the taking.

The "Wheat Pool"

I want to congratulate Farmland and its leaders for inaugurating a new innovation this past year in the marketing of wheat. Your "wheat pool" program has been eminently successful. I understand that the farmer-participants in the wheat pool averaged at least 25-cents a bushel better on his grain sold through the pool than those who operated outside of it. This is a prime example of farmers and their cooperatives using their marketing power to great economic advantage. You should experience even greater success with the program in the years ahead.

Farm Exports

I believe deeply in the efficacy of farmer-cooperatives. As Secretary of Agriculture I believe it is the proper function of the Federal government to encourage cooperatives to use their potential power and provide them, within our authorities, with the tools to make them more effective. Grain marketing cooperatives should have the opportunity to use the loan program for wheat and feed grains on behalf of their patron-members -- just as we have in soybeans, cotton and rice. Grain cooperatives would have a

more effective way to get into the highly arcane and competitive world of grain exports.

For far too long, the export of grain has been the sole province of a few large firms. Traditionally, they have controlled about 90 percent of all the grain shipped out of this country. Today, grain exports are a massive business -- running to tens of billions of dollars each year.

Abuse of Grain Inspection and Its Affect on Exports

The revelation in recent years of widespread fraud in our grain inspection program, the short-weighting and the adulteration of grain shipped to foreign countries has seriously damaged our integrity and reputation as dependable suppliers of quality commodities.

It is impossible to estimate how much we have lost in foreign grain sales because of this inspection abuse, but under a new law passed by Congress and with much tougher grain inspection procedures now in effect, we are slowly but surely regaining the confidence of our foreign customers.

Farmers have a right to expect that if they invest massive amounts of money and effort to produce quality grain that the same quality be delivered to our customers -- whether at home or abroad.

Development and expansion of our foreign grain markets are more important to grain producers than any other segment of our agricultural industry. We must export over 60 percent of our wheat and over 50 percent of our soybeans. For this reason, this Administration is giving the highest kind of priority in recapturing our export markets and in expanding them. We are

taking several positive steps in this direction, in addition to insuring higher standards of exported grain and tougher inspection regulations.

For example, we have doubled the loan authority of CCC credit for export sales -- to a level of \$1.5 billion for this fiscal year.

We are taking active leadership in a new international wheat agreement, to establish an internationally coordinated system of national reserve stocks to reduce the excessive swings in world market prices and extend world food security.

We have recommended a strengthened food aid convention within that agreement, with provisions to insure that food aid quantities can be increased in response to unusual needs. In particular we have advocated that donor countries should take steps to improve their capacity to maintain food aid flows during periods of high prices and to provide food aid in response to acute production shortfalls in developing countries. We strongly urge that all nations join us in our attempt to bring these discussions to a rapid and successful conclusion.

U.S. contributions to international development lending institutions will be up more than double in 1978 compared with 1976, and much of this will be concessional monies. For example, the United States has ratified the fifth replenishment of the International Development Association (IDA), which is the World Bank's concessional lending program, and will be making an \$800 million contribution to the IDA. The total IDA replenishment amounts to \$7.6 billion over the next three years. Since IDA disburses about 30 percent of its funds for food and agricultural projects in most needy countries, this could mean some \$750 million in new commitments -- up from \$420 million in

IDA monies for agricultural development to these countries in 1976. The United States will also fully support the regional banks.

The U.S. has deposited the instruments of ratification of the International Fund for Agricultural Development. We anticipate that IFAD will be operational by the end of this year and will begin making disbursements for food and agricultural projects on concessional terms to food priority countries.

Our bilateral technical assistance programs will be substantially increased in 1978 -- about \$50 million over the \$536 million we had appropriated in 1976 and 1977.

Major changes have been made in our food aid program known as P.L. 480. Commodity commitments under Title II -- the donation provisions of the Law -- have been increased in favor of the most vulnerable populations of the most needy nations, thus increasing our investment in improved nutrition. In addition, a new Title III using food for development was added to encourage recipient nations to increase their agricultural development and economic programs including nutritional programs on a long-term basis. We believe that long-term food-for-development programs can provide significant assistance in helping developing countries mobilize greater investment in several of the areas I have mentioned.

In addition to all this, our program includes the creation of a special international food reserve of up to 6 million tons of wheat to insure that our current and special food aid commitments can be made.

On the Domestic Front

While our national farm and food policies must be set within the framework of a global food policy -- our first concern is the price and income problems of our farmers.

They're hurting now -- and hurting badly.

This is due to a number of factors which we inherited:

- massive surpluses -- at record levels;
- low farm prices;
- the absence of any real national farm and food policy;
- abuse of foreign markets from adulterated grain;
- runaway inflation and record farm operating costs;
- a critical energy and water crisis;
- an over-burdening farm credit crunch;
- the traditional boom bust price cycles in agriculture which are disastrous to both farmers and consumers.

There is no quick-fix for any of these problems. We realize that. And we're not promising any such solutions. Only world-wide weather conditions and a practical long-range domestic and farm export program can provide an answer to our surpluses and our price-and-income situation.

But the Food and Agricultural Act of 1977 is a major and positive step toward a national food policy that offers some stability for farmers and a semblance of business-like predictability for farmers.

Here are some of the major features of the new program:

-- Provides price support loans for our major commodities that will keep the United States competitive in world markets.

-- Provides the mechanism to support farmers' income through deficiency payments, that this year alone will total almost \$1.2 billion to wheat producers.

-- Establishes a 30-35 million metric ton food and feed grain reserve, primarily farmer-owned and controlled. It will help farmers by effectively insulating substantial stocks from the marketplace, reducing downward price pressure. It will also provide protection to domestic and foreign consumers from bad harvests. It will allow the United States to be a dependable supplier of quality food and feed grains, even when our production declines because of weather. This reserve will help us avoid needless export controls and embargoes that lead to the loss of foreign markets and crucial sales for American producers.

-- Provides set-aside authority to bring production more closely in line with potential demand, so that farmers will produce for markets. We have announced a 20 percent set-aside on wheat; and a conditional 10 percent set-aside on feed grains.

-- Makes substantial revisions in the foreign food assistance programs. It strengthens our commitment to use Public Law 480 as a major market development tool, not a surplus commodity disposal give-away.

-- Broadens the research missions of the Department of Agriculture. It grants new authority to search for and develop alternate energy resources for agriculture.

-- Mandates research priorities on human nutrition to make certain that we know as much as possible about the nutritional needs of all people.

-- Reforms the Food Stamp Program through the elimination of the purchase requirement and the tightening of eligibility standards. It makes food stamps more available to our citizens who need them the most.

We are asking farmers to take full advantage of our loan programs and the resale provisions. We are urging grain producers -- wheat and corn farmers -- to hold on to their grain. The market will get stronger -- as we have already noted in recent weeks.

Look at cash commodity prices. Since June 13th, wheat at Kansas City has increased 58 cents a bushel. Since October 21st, corn at Chicago has gone up 36 cents a bushel. Normally, the seasonal low for corn is in November. Soybeans at Chicago have increased substantially -- 88 cents a bushel since October 21st.

The stronger markets prices are due to a combination of the loan and target prices we have set for these commodities plus encouraging reports of new sales of wheat and feed grain to Russia and Eastern European Countries.

Two more factors are affecting the stronger grain market. One is that, as of this year, the United States is the only major supplier where these countries can buy substantial amounts of grain. Canada has suffered poor harvest conditions. Australia's stocks for export are about depleted this year. So are those for Argentina.

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- The second factor is that -- though not severe -- there is a substantial shortfall of crop production in Russia, Poland and China and other major consuming countries. Add this to the fact, that while the world supply of food is still much better than a few years ago, the balance of world supplies -- despite our massive surpluses -- are in precarious balance. One or two years of low worldwide grain production and our surpluses would disappear overnight.

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